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DE RUEHNR #0641/01 0910929  
ZNR UUUUU ZZH  
R 010929Z APR 09  
FM AMEMBASSY NAIROBI  
TO RUEHC/SECSTATE WASHDC 9024  
INFO RHMFIUU/DEPT OF HOMELAND SECURITY WASHDC  
RHMFIUU/FAA NATIONAL HQ WASHDC  
RUEATRS/DEPT OF TREASURY WASHDC  
RUEHC/DEPT OF LABOR WASHDC  
RUEHRC/USDA FAS WASHDC 1789  
RUEHXR/RWANDA COLLECTIVE

UNCLAS NAIROBI 000641

HOMELAND SECURITY FOR TRANSPORTATION SECURITY ADMINISTRATION CONNIE HUNTER

STATE PASS USTR FLORIZELLE LISER, CONNIE HAMILTON, PATRICK DEAN COLEMAN, AND WILLIAM JACKSON

STATE FOR AF/FO, AF/E, AND AF/EPS ANN BREITER, GABRIELLE MALLORY, MARY B. JOHNSON, AND TAWANNA DAVIDSON

STATE ALSO FOR AF/EX SYLVIE MARTINEZ AND SONJA WRAY-BROWN

AF/PD FOR CLAUDIA ANYASO AND TIJAN AYBAR

STATE ALSO FOR EEB/TPP/BTA AMY HOLMAN

STATE PLEASE PASS USAID/EA AND USAID/AFR/SD BRUNO CORNELIO AND JEFF MALICK

TREASURY FOR DAN PETERS AND REBECCA KLEIN

COMMERCE FOR KEVIN BOYD, ALICIA ROBINSON, AND BECKY ERKUL

AGRICULTURE FOR DON EVANS AND CATHY MCKINNELL

LABOR FOR SUDHA HALEY AND MAUREEN PETTIS

SENSITIVE

SIPDIS

E.O. 12958: N/A

TAGS: [ASEC](#) [EAIR](#) [ECON](#) [ETEX](#) [ETRD](#) [AGOA](#) [PGOV](#) [KCOR](#) [KE](#)

SUBJECT: AUSTR LISER URGES KENYA TO TAKE ADVANTAGE OF AGOA OPPORTUNITIES AND TO IMPROVE BUSINESS CLIMATE

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11. (SBU) Summary: Assistant United States Trade Representative Florizelle Liser encouraged Kenyan Trade Minister Amos Kimunya on March 16 to take full advantage of the AGOA framework to seek greater exports to the United States. She also underscored that progress on Kenya's reform agenda is fundamental to an improved business climate in Kenya and a successful 2009 AGOA Forum. In separate same day meetings with leaders of the Kenya Association of Manufacturers and the American Chamber of Commerce of Kenya, AUSTR Liser was asked to lobby in favor of an extension of the third country fabric waiver past 2012 and a decision to make AGOA a permanent trade regime. Business leaders are anxious for Delta Airlines to begin direct service to Nairobi via Dakar. AUSTR Liser and Economic Counselor reminded Minister Kimunya that the Kenya Civil Aviation Authority and Kenya Airports Authority are behind schedule in making required safety and security upgrades at Jomo Kenyatta International Airport that will allow Delta to land here in June. End Summary.

13. (U) En route to the AU Trade Ministerial in Addis Ababa, Assistant United States Trade Representative Florizelle Liser spent March 16 in Nairobi holding meetings with Kenyan Minister of Trade Amos Kimunya and senior members of his staff responsible for 2009 AGOA Forum preparations; the chairmen of the Kenya Association of Manufacturers (KAM) and the American Chamber of Commerce of Kenya

(ACCK); and business leaders involved in bilateral trade, especially under AGOA. (Ms. Liser also held in-house meetings with Ambassador Ranneberger and the mission's AGOA preparatory committee to get an update on AGOA Forum preparations.)

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Seize U.S. Market Opportunities  
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¶4. (SBU) AUSTR Liser reminded Minister Kimunya as well as the Kenyan private sector of the tremendous opportunities that still exist under AGOA. She pointed out that despite Kenya's own post-election violence and the global economic downturn, Kenya's exports to the U.S. were not affected much in 2008. Ms. Liser noted that there was a lot of room for growth in areas such as toys and cut flowers, something she hoped would be helped by direct flights from the U.S. (see below). The AUSTR for Africa added that the USG would continue to assist Kenyan exporters through the trade hubs to link them up with U.S. companies. Both the Minister and Ms. Liser focused on the importance of regional trade and cooperation to Kenya's potential for greater success under AGOA.

¶5. (SBU) Minister Kimunya focused on GOK achievements throughout the conversation, noting in particular improved efficiency at the Port of Mombasa and in the energy sector. He asserted that other improvements to the business climate should allow for U.S. companies to do more added value production in Kenya. Kimunya also pointed to infrastructure upgrades in roads and telecommunication as well as efforts to expand Special Economic Zones.

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Airport Upgrades Overdue  
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¶6. (SBU) Both Kimunya and the corporate executives, notably Jane Ngigi, the executive director of the Kenya Flower Council, were anxious to learn more about Delta Airlines proposed direct New York to Nairobi, via Dakar, service to begin in early June 2009. AUSTR Liser said Delta remains interested but that US civil aviation officials are disappointed and exasperated by the failure of the Kenya Civil Aviation Authority and Kenya Airports Authority to make required safety and security upgrades at Jomo Kenyatta International Airport. ECON/C noted that only 15% of the required improvements have been completed. AUSTR Liser and ECON/C urged both the minister and the business leaders to weigh in and lobby for Kenya's prompt compliance with DHS/TSA recommendations already presented to senior Kenyan civil aviation officials.

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Good Governance a Must  
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¶7. (SBU) AUSTR told Kimunya that improved competitiveness and political reform, including action against corruption, are fundamental to an improved business climate in Kenya. The coalition government's implementation of reform is now key to a successful AGOA Forum in August, she emphasized.

¶8. (SBU) Himself under a cloud of suspicion for failing to prevent a non-tendered sale of a major government property (the Grand Regency Hotel) to a Libyan group in April 2008 and then lying to Parliament about it while finance minister, Kimunya said he is confident Parliament will pass anti-money laundering legislation, but otherwise he and his Permanent Secretary, Dr. Cyrus Njiru, tended to blame the press for exaggerating episodes of apparent corruption involving senior members of the coalition government, among them the ministers of agriculture and energy. Kimunya contended the coalition government is grappling with the 1980s-1990s neglect of vital infrastructure. "We are playing catch-up," he said, "at a time when the volume of containers (at Mombasa Port) is increasing," thus putting added pressure on Mombasa Port, the railroad, and the Mombasa-Busia highway to Uganda. As for the East African Community (EAC), he said the trade bloc is "coming on quite well." Trade, he said, is the "new unifier" among nations and he said the EAC is aiming to achieve political integration by 2013.

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¶9. (SBU) KAM Chairman Vimal Shah and Aga Khan representative Karim Dostmohamed, who oversees "Alltex," a major apparel company that supplies Dockers, appealed to AUSTR Liser that she push for an extension of the third country fabric waiver. They, along with USAID Regional Agricultural Trade Expansion Support (RATES) program cotton and textile director Barry Fisher, told the Africa AUSTR that the sub-Saharan AGOA-eligible countries will simply not be able to produce sufficient cotton and yarn by 2012. They will have to continue importing fabric.

¶10. (SBU) Shah and his organization's executive director, Betty Maina, who heads the AGOA Forum private sector sub-committee, also asked that the United States consider making AGOA a permanent trade regime. In addition, they urged that the AGOA Forum be arranged in such a way that the Kenyans could register these requests with senior U.S. officials at the AGOA Forum. Ms. Liser reassured the Kenyans that USTR is interested in ensuring interaction between the public and private sectors during the Forum.

¶11. (SBU) KAM members and Ministry of Trade officials were pleased to learn that USDA/APHIS had just approved runner beans and French green beans for export to the United States. But they all expressed fears that Kenya's export garment industry is in peril. KAM apparel and textile sector secretariat director Fred Kariuki noted that since the end of the Multi-Fiber Agreement on December 31, 2004, the local industry has seen a torrent of factory closings and thousands of jobs lost. Once home to over 40 EPZ garment and textile factories exporting to the United States under AGOA, Kenya now has only 18 in operation and two of them are in trouble. Shah admitted that Kenya must improve its infrastructure and lower energy costs in order to keep its apparel industry viable. That Mombasa port is now operating 24/7 has helped matters. Shah and the other KAM members commended various USAID programs, notably the Kenya Horticulture Development Program and the East and Central Africa Global Competitiveness Hub, for helping link Kenyan producers to American buyers. Kimunya likewise thanked USAID for similar assistance to the government's Export Promotion Council.

Ranneberger